

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL 4945.04-04

B= Fellowship Name

C= Fellowship Name

R= School Name

S= Military Branch

X= Program Name

y = Number

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates that you will operate an educational grant program called X. The purpose of X is to further the development of strong, effective, current and future business leaders and entrepreneurs and officers in S for the betterment of the free enterprise system, S and the nation. X will achieve this by providing travel grants to recipients of either B or C. The purposes of B and C are to enable outstanding current or past members of S to expand their potential through an R business school education. The B and C recipients (fellows) receive funding to attend advance educational programs at R business school. Although you provide funding to R business school for the fellowships you have no role in the application, or selection process of the fellows; the recipient of B is selected by R business school while the recipient of C is selected by S. In addition, discretion and control of B and C rests with R business school and S.

Your travel grants will enable the fellows to attend a reunion conducted by you and each individual grant will cover reasonable and necessary costs incurred by the fellows for transportation to and from the reunion site, lodging while at the reunion and certain other costs. The purpose of the reunion is to help the fellows further their careers and the nation by providing valuable networking opportunities so the fellows can leverage off of one another as an extension of their R business school education; the reunion will also provide the fellows development, resource and problem solving opportunities as well as enable the fellows to create and sustain relationships that will help them as individuals, business leaders, and officers in S.

The reunions are anticipated to have certain components, which can include items such as the following: individual updates, a speaker to address a topic of interest (i.e. the future of S), recognition and awards for the fellows who received promotions and other noteworthy accomplishments, forums to discuss ideas, concepts and guidance where the fellows can provide assistance to one another, and breakout sessions for personal education and applications for what one has learned in S to the business environment. The reunions occur y times per year . At this time, you expect the reunion will be conducted at locations within the United States. At some time in the future, you may consider conducting it in a foreign country if the use of such a location would serve to further your charitable purposes, but this would be rare. For example, you may consider hosting a reunion at or near a location of great historical significance to S and the nation. Due to the unique nature of X, there is no formal application. You send out an announcement for the upcoming reunion via email that includes dates, location, draft itinerary and events. The number of annual travel grants will be determined by the number of fellows who attend the reunion.

There is no separate selection committee. Two of your board members will be principally responsible for confirming eligibility of the potential recipient recommended to you by R business school and S. At no time will any director with any personal, family, or business connection to any potential recipient be in a position to confirm the eligibility of such a person. Likewise, no directors with any personal, family, or business connections to any recipient will be in a position to approve the grants administered under X to such persons.

The amount of an individual grant is based on receipts submitted to you for travel expenditures and in line with your published travel policy. The policy generally provides that only coach class airfare is to be purchased, lodging will be at pre-approved hotels, incidental expenses will not be reimbursed and there are limitations to certain expenditures such as airport parking. Expenses are to be reasonable and prudent. You will not cover transportation costs of spouses or family members.

You will not make a grant until an expense report is reviewed and determined to be compliant with your travel policy and all expenditures have been properly substantiated.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a

grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Tamera L. Ripperda
Director, Exempt Organizations